

**Tax Division
Arkansas
Public Service Commission
P.O. Box 8021
Little Rock, Arkansas 72203**



Biennial Report

For The Years

2003 - 2004

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Sarah M. Bradshaw
Director
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December 1, 2004

The Honorable Mike Huckabee
Governor
State Capitol Building
Little Rock, AR 72201

Dear Governor Huckabee:

Pursuant to the provisions of Ark. Code. Ann. §26-24-121, the Tax Division of the Arkansas Public Service Commission submits herewith its Biennial Report for the years 2003 - 2004. This report shows the assessed value of the property of utilities and carriers certified to the various county assessors for placement on the tax rolls, and the assessed value of the property of certain carriers certified to the Department of Finance and Administration for collection of the tax.

The tax revenue resulting from utility and carrier assessments provides an important source of monetary support for the schools, cities, and counties of Arkansas. Furthermore, annual tax revenue resulting from the assessments certified to the Department of Finance and Administration is used to partially fund the Tax Division, the Assessment Coordination Department, and the Counties and Municipalities Section of Legislative Audit.

The assessments upon utility and carrier property in Arkansas as determined by the Tax Division have increased from \$2,432,206,483 in 2002 to approximately \$2,540,705,563 in 2004. This is an increase of \$108,499,080 in the two-year period and represents, an approximate gain of 4.27% in assessed value.

Sincerely,

A handwritten signature in black ink, reading "Sarah M. Bradshaw", enclosed in a rectangular box.

Sarah M. Bradshaw
Director
Tax Division, P.S.C.

SMB/st

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MISSION STATEMENT

The Arkansas Public Service Commission is a pro-active, solutions-oriented agency that maximizes customer value and enhances the economic environment of the state. This is done by ensuring safe, reliable and reasonably-priced utility service; educating consumers to make independent and informed choices; and ensuring the fair and equitable ad valorem assessment and equalization of public utility and carrier property.

It is the mission of the Arkansas Public Service Commission Tax Division to efficiently and effectively render ad valorem assessments for utilities and carriers; to perform all duties regarding the ad valorem assessment of public utility and carrier property in a manner that is fair and equitable to all stakeholders; and to conduct its business in a manner that is responsive to all stakeholders and worthy of public trust.

INTRODUCTION

The Tax Division of the Arkansas Public Service Commission is responsible for performing all functions and duties regarding the annual assessment, for property tax purposes, of public utilities and carriers operating in Arkansas.

During 2004, the Tax Division evaluated the real and personal property of 459 telecommunications companies, 90 cable television companies, 30 electric companies and cooperatives, 13 gas companies, 7 pipeline companies, 3 water companies, 24 railroads, 329 private car companies, 18 airlines, 12 barge lines and 54,992 motor carriers for the purpose of ad valorem assessment. The market value of the utilities and carriers evaluated by the Tax Division in 2004 was approximately \$12,705,000,000, which represents an assessed value of approximately \$2,541,000,000 and an estimated property tax of approximately \$106,722,000.

In 2003, the Tax Division

evaluated the real and personal property of over 60,310 utilities and carriers. The assessed value of the utilities and carriers in 2003 was \$2,457,000,000 and the estimated property tax on the assessed value was \$107,641,170.

The property tax revenue resulting from the assessments made by the Tax Division is a significant source of monetary support for the schools, cities, and counties of Arkansas. In addition, Ark. Code Ann. § 26-26-1616 provides for an Ad Valorem Trust Fund, which is funded from revenues resulting from the Tax Division's assessments on carriers. The Ad Valorem Trust Fund is used to fund the Counties and Municipalities Section of Legislative Audit, the Assessment Coordination Department, and the Tax Division. The State Treasurer may transmit the remainder of the Fund to the respective counties in the state.

HISTORY

The origin of the Tax Division of the Arkansas Public Service Commission can be traced to Act 114 of 1883. That year, the General Assembly, under the authority of Article 16, Section 5, of the Constitution of 1874, created the Board of Railroad Commissioners. The Board was vested with the power of original assessment of certain railroad properties for the purpose of taxation. Subsequent acts have broadened the responsibilities of the Tax Division and placed the administration and enforcement of the property tax laws related to public utilities and carriers under the direction and supervision of the Arkansas Public Service Commission. In the years following the passage of Act 114 of 1883, the Tax Division's assessment responsibilities have been expanded to include the assessment of airlines, motor carriers, barge lines and utilities operating within the state of Arkansas, as well as railroads.

AGENCY ORGANIZATION

The Tax Division's authorized budget for fiscal year 2004 - 2005 is \$1.4 million. However, \$400,000 of the Tax Division budget is in a contingency fund for tax assessment appeals. The Tax Division must have prior approval to access the contingency fund. The Division is authorized to employ a staff of fifteen full-time employees and five part-time employees. The Tax Division's positions include a Director, an Assistant Director, a Financial Analyst, a Program Support Manager, a Carrier & Systems Manager, two Management Project Analysts, a Research Project Analyst, an Accountant, three Tax Division Valuation Analyst II positions, and three Tax Division Valuation Analyst I positions, and five part-time positions.

ASSESSMENT PROCESS

Each year, the Tax Division mails Annual Report forms to the utilities and carriers to obtain the information needed for the assessment process. The companies are required to file the completed forms with the Tax Division by March 1, with the exception of motor carrier companies, which are required to file the completed report forms by March 31, and private railroad car companies, which are required to file the completed report forms by April 1. For good cause, utilities and carriers may be granted an extension of not more than sixty days to file Annual Report forms. Companies that fail to file their Annual Report form within the time required are considered delinquent and are subject to penalties prescribed by law.

After the Annual Report forms are filed, the Tax Division begins the assessment process. In assessing each of the various types of utilities and carriers, the Tax Division must consider the economic and financial factors,

which impact the various industries, as well as those factors, which may affect a specific company's valuation. To accomplish this, the personnel within the Tax Division must have specialized knowledge of the industries assessed and stay abreast of the rapid economic, regulatory and technological changes taking place in the utility and carrier industries. As part of the assessment process, the Tax Division holds pre-assessment hearings when a pre-assessment hearing is requested by a utility or carrier.

After the assessments are determined by the Tax Division, the utility assessments are submitted to the Arkansas Public Service Commission for approval and the carrier assessments are submitted to the Arkansas State Highway Commission for approval. Once the respective Commissions approve the assessments, notice of assessments are mailed to each utility and carrier assessed. The utilities and carriers then have a ten (10) day period to file a formal appeal. When the appeal period has ended, the final

assessment amounts are certified on or before July 15th to the various County Assessors to be placed on the tax rolls, with the exception of the carrier assessments, which are certified at a later date to the Department of Finance and Administration. Appropriate millage rates are later applied to the assessments by the proper officials to produce the tax amounts to be billed and collected.

When a utility or carrier files a timely petition for review disputing its assessment, a hearing on the petition is held before the appropriate commission. The decisions of the Public Service Commission and the decisions of the Highway Commission on review of utility or carrier assessments may be appealed to the Pulaski County Circuit Court. The Circuit Court's decision on an assessment appeal, if contested, may be appealed to the Arkansas Supreme Court.

THREE YEAR COMPARISON 2002 - 2004

CLASS OF PROPERTY	2002 ASSESSED VALUE	2003 ASSESSED VALUE	2004 ASSESSED VALUE	GAIN OR LOSS
AIRLINE REAL	1,010,680	1,010,680	1,010,680	-
AIRLINE (SITUS)	5,223,860	4,761,740	1,675,020	(3,086,720)
BARGE LINE (SITUS)	29,400	25,520	28,820	3,300
BRIDGE	0	0	0	-
CABLE TELEVISION	77,251,900	87,626,240	90,580,830	2,954,590
CELLULAR TELEPHONE	98,682,320	118,648,160	147,294,970	28,646,810
ELECTRIC COOPERATIVE	367,544,890	382,619,320	392,812,980	10,193,660
GAS TRANSMISSION	185,361,910	189,870,030	195,327,700	5,457,670
MOTOR CARRIER (REAL)	5,498,680	5,540,880	5,403,880	(137,000)
PRIVATE CAR (SITUS)	4,297,950	4,954,500	4,413,950	(540,550)
PRIVATE ELECTRIC	696,832,190	716,564,150	734,497,800	17,933,650
PIPELINE	32,858,650	31,453,350	31,630,750	177,400
RAILROAD	149,378,700	164,679,790	186,482,510	21,802,720
RESELLER TELEPHONE	6,971,950	1,887,160	769,390	(1,117,770)
TELEPHONE	432,018,910	423,930,550	422,207,500	(1,723,050)
WATER COMPANY	4,141,130	4,213,940	4,081,430	(132,510)
TOTAL CERTIFIED COUNTIES	2,067,103,120	2,137,786,010	2,218,218,210	80,432,200
AIRLINE	21,851,160	21,602,070	23,008,880	1,406,810
BARGE LINE	2,489,050	3,355,610	3,574,160	218,550
MOTOR CARRIER	331,812,313	284,669,280	286,947,453	2,278,173
PRIVATE CAR	8,950,840	9,357,490	8,956,860	(400,630)
TOTAL CERTIFIED D.F.A.	365,103,363	318,984,450	322,487,353	3,502,903
GRAND TOTAL	2,432,206,483	2,456,770,460	2,540,705,563	83,935,103

TEN YEAR COMPARISON 1994-2004

CLASS OF PROPERTY		1994 ASSESSED VALUE		2004 ASSESSED VALUE		GAIN OR LOSS
ELECTRIC COOPERATIVES		250,697,990		392,812,980		142,114,990
PRIVATE ELECTRICS		642,127,330		734,497,800		92,370,470
GAS TRANSMISSION		129,433,903		195,327,700		65,893,797
TELEPHONES		351,337,030		422,207,500		70,870,470
WATER COMPANIES		2,600,830		4,081,430		1,480,600
RAILROAD COMPANIES		109,854,741		186,482,510		76,627,769
PIPELINE COMPANIES		73,867,200		31,630,750		(42,236,450)
BRIDGE		665,000		-		(665,000)
CABLE TELEVISIONS		29,748,120		90,580,830		60,832,710
CELLULAR TELEPHONES		14,195,330		147,294,970		133,099,640
RESELLER TELEPHONES		20,800		769,390		748,590
TOTAL CERTIFIED COUNTIES		1,604,548,274		2,205,685,860		601,137,586

2003 - 2004 COUNTY COMPARISON

COUNTY	2003 REAL	2003 PERSONAL	2003 TOTAL	2004 REAL	2004 PERSONAL	2004 TOTAL	GAIN/LOSS
ARKANSAS	1,577,480	13,741,758	15,319,238	1,640,270	15,087,490	16,727,760	1,408,522
ASHLEY	457,600	17,612,543	18,070,143	497,300	18,911,212	19,408,512	1,338,369
BAXTER	1,603,580	24,858,142	26,461,722	1,657,070	26,321,184	27,978,254	1,516,532
BENTON	14,135,110	84,231,541	98,366,651	14,948,980	84,454,565	99,403,545	1,036,894
BOONE	1,949,940	18,117,093	20,067,033	2,079,580	18,225,124	20,304,704	237,671
BRADLEY	499,420	5,384,580	5,884,000	499,680	7,358,227	7,857,907	1,973,907
CALHOUN	272,980	11,762,933	12,035,913	294,700	12,615,540	12,910,240	874,327
CARROLL	1,733,560	14,768,781	16,502,341	1,864,210	15,198,172	17,062,382	560,041
CHICOT	509,840	13,940,360	14,450,200	509,840	14,148,036	14,657,876	207,676
CLARK	1,696,100	19,262,116	20,958,216	1,776,880	20,031,796	21,808,676	850,460
CLAY	908,760	13,915,272	14,824,032	957,610	15,088,430	16,046,040	1,222,008
CLEBURNE	1,114,950	12,321,093	13,436,043	1,120,110	13,170,798	14,290,908	854,865
CLEVELAND	422,390	6,663,141	7,085,531	422,390	7,554,266	7,976,656	891,125
COLUMBIA	1,391,870	16,272,391	17,664,261	1,423,400	17,286,237	18,709,637	1,045,376
CONWAY	7,915,030	17,315,922	25,230,952	7,940,110	17,894,795	25,834,905	603,953
CRAIGHEAD	4,899,730	29,517,891	34,417,621	5,070,900	33,256,279	38,327,179	3,909,558
CRAWFORD	8,533,910	28,349,651	36,883,561	8,515,330	28,783,794	37,299,124	415,563
CRITTENDEN	3,977,670	30,930,952	34,908,622	4,074,785	33,537,842	37,612,627	2,704,005
CROSS	1,343,820	13,582,102	14,925,922	1,478,740	14,745,333	16,224,073	1,298,151
DALLAS	331,510	6,474,657	6,806,167	361,970	7,124,529	7,486,499	680,332
DESHA	14,710,310	20,168,622	34,878,932	14,733,590	20,407,020	35,140,610	261,678
DREW	785,220	10,552,129	11,337,349	798,350	11,583,255	12,381,605	1,044,256
FAULKNER	1,420,420	24,502,807	25,923,227	1,541,440	26,228,697	27,770,137	1,846,910
FRANKLIN	2,548,510	25,454,768	28,003,278	2,635,840	26,658,574	29,294,414	1,291,136
FULTON	435,560	9,113,126	9,548,686	436,840	9,476,593	9,913,433	364,747
GARLAND	3,323,640	32,418,600	35,742,240	3,427,760	31,887,366	35,315,126	(427,114)
GRANT	747,780	11,055,355	11,803,135	663,380	11,211,165	11,874,545	71,410
GREENE	1,430,070	14,377,353	15,807,423	1,432,660	15,614,696	17,047,356	1,239,933
HEMPSTEAD	1,712,840	18,820,534	20,533,374	1,689,830	18,529,072	20,218,902	(314,472)
HOT SPRING	4,526,500	33,204,638	37,731,138	4,727,870	36,616,850	41,344,720	3,613,582
HOWARD	955,250	9,897,983	10,853,233	1,069,560	10,377,512	11,447,072	593,839
INDEPENDENCE	18,342,540	86,106,881	104,449,421	18,219,190	85,195,096	103,414,286	(1,035,135)
IZARD	531,030	11,230,775	11,761,805	533,700	11,406,103	11,939,803	177,998
JACKSON	719,400	18,902,024	19,621,424	738,810	19,840,066	20,578,876	957,452
JEFFERSON	40,923,770	112,255,433	153,179,203	41,028,370	111,160,162	152,188,532	(990,671)
JOHNSON	323,690	14,708,229	15,031,919	430,390	14,774,268	15,204,658	172,739
LAFAYETTE	1,267,410	8,219,872	9,487,282	1,293,950	8,853,369	10,147,319	660,037
LAWRENCE	1,209,740	17,496,233	18,705,973	1,251,190	18,116,056	19,367,246	661,273

2003 - 2004 COUNTY COMPARISON (CONTINUED)							
	2003	2003	2003	2004	2004	2004	
COUNTY	REAL	PERSONAL	TOTAL	REAL	PERSONAL	TOTAL	GAIN/LOSS
LEE	612,240	8,570,081	9,182,321	625,190	8,603,479	9,228,669	46,348
LINCOLN	1,334,800	7,551,024	8,885,824	1,334,800	8,228,183	9,562,983	677,159
LITTLE RIVER	817,390	9,829,087	10,646,477	854,770	9,472,019	10,326,789	(319,688)
LOGAN	748,790	14,756,651	15,505,441	823,190	15,680,682	16,503,872	998,431
LONOKE	1,708,860	30,448,177	32,157,037	1,725,080	30,779,624	32,504,704	347,667
MADISON	726,210	10,438,822	11,165,032	783,590	10,861,195	11,644,785	479,753
MARION	649,580	7,543,265	8,192,845	655,920	7,598,081	8,254,001	61,156
MILLER	2,178,930	23,788,418	25,967,348	2,212,020	26,935,286	29,147,306	3,179,958
MISSISSIPPI	5,142,420	26,266,722	31,409,142	5,165,690	26,841,804	32,007,494	598,352
MONROE	397,280	8,404,447	8,801,727	513,360	9,890,882	10,404,242	1,602,515
MONTGOMERY	91,310	3,631,540	3,722,850	91,310	3,777,835	3,869,145	146,295
NEVADA	661,260	9,861,432	10,522,692	661,810	10,263,260	10,925,070	402,378
NEWTON	377,370	5,350,522	5,727,892	377,370	5,496,743	5,874,113	146,221
OUACHITA	1,868,860	16,069,440	17,938,300	1,880,120	17,590,217	19,470,337	1,532,037
PERRY	167,600	5,946,069	6,113,669	232,880	6,426,959	6,659,839	546,170
PHILLIPS	4,102,580	21,092,315	25,194,895	4,148,810	21,214,857	25,363,667	168,772
PIKE	857,580	7,877,638	8,735,218	883,420	8,616,322	9,499,742	764,524
POINSETT	1,232,030	13,462,808	14,694,838	1,279,140	14,735,443	16,014,583	1,319,745
POLK	717,320	11,773,988	12,491,308	823,720	12,783,812	13,607,532	1,116,224
POPE	76,962,790	171,780,386	248,743,176	77,168,070	178,185,168	255,353,238	6,610,062
PRAIRIE	426,500	7,067,261	7,493,761	426,460	7,585,148	8,011,608	517,847
PULASKI	34,413,150	196,070,995	230,484,145	33,053,410	205,039,354	238,092,764	7,608,619
RANDOLPH	1,410,240	11,917,102	13,327,342	1,361,220	12,164,423	13,525,643	198,301
SALINE	2,023,440	26,933,252	28,956,692	2,013,620	28,129,172	30,142,792	1,186,100
SCOTT	246,200	6,752,563	6,998,763	280,550	7,117,009	7,397,559	398,796
SEARCY	143,930	4,980,274	5,124,204	193,050	5,210,078	5,403,128	278,924
SEBASTIAN-FT	6,337,070	46,488,518	52,825,588	6,386,480	50,708,494	57,094,974	4,269,386
SEBASTIAN-GR	535,130	16,648,495	17,183,625	548,100	16,524,117	17,072,217	(111,408)
SEVIER	589,420	10,753,073	11,342,493	798,570	9,986,625	10,785,195	(557,298)
SHARP	524,510	11,388,166	11,912,676	539,280	11,632,922	12,172,202	259,526
ST. FRANCIS	3,010,470	18,220,282	21,230,752	3,392,410	20,212,465	23,604,875	2,374,123
STONE	126,130	4,472,768	4,598,898	139,140	4,622,345	4,761,485	162,587
UNION	2,161,190	32,897,377	35,058,567	2,248,280	31,989,212	34,237,492	(821,075)
VAN BUREN	939,750	9,251,927	10,191,677	851,540	9,774,013	10,625,553	433,876
WASHINGTON	7,564,520	68,050,525	75,615,045	7,349,620	73,123,268	80,472,888	4,857,843
WHITE	2,061,090	38,139,488	40,200,578	2,194,180	41,791,454	43,985,634	3,785,056
WOODRUFF	1,095,380	9,488,535	10,583,915	1,129,970	10,176,409	11,306,379	722,464
YELL	832,280	9,329,766	10,162,046	833,630	9,953,937	10,787,567	625,521
TOTAL	316,984,530	1,820,801,480	2,137,786,010	319,766,345	1,898,451,865	2,218,218,210	80,432,200